

Internal Revenue Service

District  
Director

Department of the Treasury  
P.O. Box 260, Newark, N.J. 07101

82-702

Person to Contact:

Telephone Number:

Refer Reply to:

Date:

20 APR 1982

Gentlemen:

We have considered your application for exemption from Federal income tax under the provisions of section 501(a) and as an organization described in section 501(c)(6) of the Internal Revenue Code.

Section 501(c)(6) of the Code exempts from Federal income tax business leagues, chambers of commerce, real estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations describes a business league as an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

In your organization's case, you are a condominium association whose activities are to represent the interests of members and to act on matters pertaining to improving and increasing services for them. These services are services which would ordinarily be provided by the members themselves as a personal expense. This indicates that your organization is not operated as a 501(c)(6) type organization.

We have also considered your application under Section 501(c)(4) but since your primary activity is providing services for your members, your organization is not operated exclusively for the promotion of social welfare.

Revenue Ruling 74-17 held that an association formed by unit owners of a condominium housing project which was operated to provide for the management, maintenance, and care of the common areas of the project did not qualify for exemption because this constitutes the provision of private benefits for the unit owners.

You may possibly qualify under section 528 of the Code as a homeowner association. If you wish status as a Section 528 organization, you must file Form 1120H within the allocated period which is the fifteenth day of the third month following the close of your accounting period.

Publication 892 accompanies this letter and describes your appeal rights fully, should you decide to appeal this determination.

If we do not hear from you within thirty days this will become our final determination in the matter.

Sincerely yours,

  
District Director

Enclosure:  
Publication 892